

CITY AUDITOR'S OFFICE



AUDIT OF OFFICE OF BUSINESS DEVELOPMENT

Report No. CAO 201-0304-04

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CITY AUDITOR

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BACKGROUND

The Office of Business Development's mission as identified in its Business Plan is "to market the attractive business attributes of the community, especially the urban core, develop and maintain business partnerships, develop business parks and coordinate these activities with similar agencies throughout the community, state and country."

The Office of Business Development (OBD/the Office) has 14 employees and is comprised of three divisions: Economic Development, Redevelopment, and Marketing/Business Assistance. The Office serves a variety of functions including the following:

- Forms business and neighborhood partnerships to support the economic diversification of the local economy and to reinvigorate older declining areas of the community.
- Administration of development in the city business parks.
- Marketing the benefits of development within the City.
- Redevelopment and revitalization of downtown.
- Staff services to the City of Las Vegas Redevelopment Agency (RDA).
- Staff services to the California-Nevada Super Speed Train Commission and the Nuclear Waste Repository Program.

The operations of OBD are funded by the General Fund, the Industrial Development Fund, and the City of Las Vegas Redevelopment Agency (RDA). The salaries of two full-time staff are paid by the RDA.

OBJECTIVES

Our objectives in completing the audit of the Office of Business Development were to:

- Examine the adequacy of the financial internal controls within the Office.
- Evaluate the adequacy, appropriateness, and timeliness of information being reported to management.
- Evaluate the adequacy of service being provided by the Office.
- Evaluate the project and contract administration procedures within the Office.
- Identify areas for improved efficiency and effectiveness.

SCOPE AND METHODOLOGY

Our fieldwork was performed in accordance with generally accepted governmental auditing standards. Procedures included:

- Interviewing personnel;
- Reviewing records, reports, and other applicable documentation;

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- Discussions and correspondence with other municipalities; and
- Discussions with economic development organizations/agencies.

Our fieldwork did not include audits of individual projects or contracts in which OBD is involved.

FINDINGS AND RECOMMENDATIONS

Our audit identified issues management should address to improve the efficiency and effectiveness of its operations. These issues are summarized in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. STANDARD OPERATING PROCEDURES

Criteria:

- Standard operating procedures are important in addressing the key activities and processes of an organization, how they are performed and by whom, and for establishing accountability within each function.

Condition:

- We reviewed various documents identified by OBD Management as office policies, procedures and training materials.
- These documents included general administrative policies, city policies and procedures, training materials, internal memos, presentation slides, e-mails, a system user guide, and various publications.
- Few operating procedures on the core services of the Office (i.e., economic development, redevelopment, marketing, business assistance) have been documented and formalized as official standard operating procedures.
- New employees learn how to perform their duties primarily through on-the-job and in-house training from experienced staff.

Cause:

- Limited standard operating procedures on the core services of the Office have been established by management.
- No formal guidelines exist outlining how official standard operating procedures should be documented and formalized.

Effect:

- Inconsistent practices.
- Potential for misunderstandings regarding operating procedures.

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Recommendations:

1. OBD Management should create guidelines for the documentation and formalization of official standard operating procedures.
2. OBD Management should formalize and document standard operating procedures on the core services of the Office. These procedures should be made accessible to employees and updated as needed.

2. PROJECT ADMINISTRATION

Criteria:

- Projects and related contracts should be consistently monitored to ensure project progression and compliance of contractual terms.
- Guidelines as to the use of systems should be established to ensure consistency of use among users and timely and reliable data.

Condition:

- Inconsistencies exist among OBD staff in how projects are being administered.
- The Office uses a database for tracking contacts and projects. Differences exist in how the database is being used as identified in the following examples:
 - Certain OBD staff keep detail notes in the contact database while others do not.
 - Certain data fields within the database are being used by some staff and not by others.
 - Certain staff are regularly updating the status of projects within the database while others are not.
 - Certain OBD staff use Gantt Charts (pictorial representations of the progression of a project) for tracking projects and contracts while others do not.
- The expectations by OBD management for use of the contact database in monitoring projects and contracts have not been formalized.
- In a review of the document files of a sample of current projects, we noted that certain staff had not updated the database with current information on their projects.
- There was a lack of document organization within some files reviewed. While a document outlining a standard filing system was presented to us, this system did not appear to have been fully implemented.

Cause:

- Lack of formalized project administration standards.

Effect:

- Inconsistent practices among staff.
- Potential for unreliable or untimely data in system.

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Recommendations:

1. OBD Management should formalize and document guidelines for project and contract administration.
2. OBD Management should formalize and document requirements and expectations for staff in using the contact database. Management should regularly evaluate whether staff are adhering to the established requirements.
3. OBD Management should fully implement project file requirements and organization standards.

3. CONTACT DATABASE

Criteria:

- Systems should meet the needs of the users.
- System data should be appropriately protected from loss.

Condition:

- The Office database used for tracking contacts and projects was originally developed in-house for use as a contact database. Use of this database has expanded over the years into a project tracking system.
- The system has various weaknesses including the following:
 - Insufficient space provided in fields for input of text.
 - Repetitive data generated in reports.
 - Unorganized data in reports.
 - Lack of a “tickler system” to alert users of important events/milestones.
- The database has crashed several times over the past few years.
- The contact database is not supported by the City’s IT Department. Technical support for the contact database is provided by an OBD staff who acknowledges that his technical expertise as it relates to the system is limited and has been stretched with the growth of the database and the ongoing maintenance problems.

Cause:

- Continued use of existing system.
- Office staff familiar with existing system.
- Additional funds would be required to replace system.

Effect:

- System no longer fully meeting the needs of the Office.
- Data generated by the system may not be reliable.
- Potential for loss of data.

Recommendation:

1. OBD Management should evaluate alternative systems that would more fully support the operations of the Office.

4. MANAGEMENT REPORTING

Criteria:

- Management reports should provide relevant and timely information on the performance of an organization and meet the informational needs of the users.

Condition:

- OBD annually prepares a business plan that summarizes the Office's goals and performance measures for the upcoming year and accomplishments during the previous year.
- Our review of the business plans from the past two years revealed a lack of correlation between the Office's goals, performance measures, and accomplishments. In addition, the plans lacked information on the annual results of the Office in achieving its identified goals (e.g., no identification or discussion of goals not achieved).
- OBD prepares and distributes regular reports to the City Manager's Office and the City Council. These reports identify the status of projects and various performance measures.
- The information identified on the reports as project status is typically the latest project activity entry in the Office database. While this activity information may be useful to some users of the reports, others may appreciate more of a "snapshot" of the status of projects including the current phase of a project (i.e., contract negotiations, design, permitting, construction) and estimated dates of upcoming events. This information could be conveyed using text and/or graphs/charts.
- Many of the performance measures identified in the annual business plan are not included in the regular reports to the City Manager's Office and Council.
- Certain information identified in the reports as performance measurements is more appropriately characterized as activity information (e.g., number of calls received by the Office, packets distributed to businesses, number of trade shows attended). While the activity information may be useful to certain users of the reports, the information does not effectively measure the quality, effectiveness, and overall success of the Office.
- Our review of the performance measures used by the business/economic development departments of several other cities showed the use of outcome-based performance measures (i.e., measures of efficiency and effectiveness of an operation) such as the following:
 - number of new jobs created
 - square footage of developed space
 - number of acres of land developed
 - property tax increments achieved
 - capital investment by businesses

Cause:

- Continued use of established reports.

Effect:

- OBD's performance is not being adequately communicated in management reports.

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Recommendations:

1. OBD Management should formally obtain feedback from the City Manager's Office and the City Council members on the effectiveness of their reports and any additional information that would be valuable to these users.
2. Using the information gathered from the users and taking into consideration the issues identified above, OBD Management should enhance their management reports to more fully and more effectively communicate the performance and activities of their Office.
3. OBD Management in conjunction with the City Manager's Office should re-evaluate the adequacy of the performance measures being used by the Office. Mutually agreeable performance measures should be identified and incorporated into the management reports.

5. PROJECT TIME TRACKING

Criteria:

- Tracking of time incurred on individual projects provides useful information in evaluating workloads, performance, and adequacy of resources.

Condition:

- OBD staff track time worked using established labor distribution codes. Most of these labor distribution codes are general, high-level classifications (e.g., business recruitment, development, client services and research, redevelopment area activities).
- Time incurred on individual marketing and development projects is not being formally tracked by most OBD staff.
- This data would be valuable in measuring the efforts on individual projects and evaluating the workloads and performance of the Office and its staff.
- This data could also be valuable in justifying the need for additional resources.

Cause:

- Lack of implementation of a formal project-specific time tracking system.

Effect:

- Lack of information on time incurred on individual projects.
- Lack of information for evaluation of staff performance.

Recommendation:

1. OBD Management should establish a project time tracking system at a minimum for significant marketing and development/redevelopment projects.

6. MARKETING PLAN

Criteria:

- Annual marketing plans are helpful in formulating and communicating the marketing goals and objectives of an organization.
- The approval of marketing plans by management helps ensure that the proposed marketing efforts align with the goals and expectations of management and the strategic plan of an organization.

Condition:

- While the Office prepares various internal documents and participates in presentations outlining the Office's marketing efforts, no formal marketing plan is prepared annually and submitted to the City Manager's Office or the City Council.
- No formal annual evaluation of the success of the components of a marketing plan is completed.
- Other local economic development organizations are involved in marketing the benefits of doing business in the Las Vegas valley. OBD may be able to defray some of its marketing costs and/or capitalize on the marketing strengths of these organizations through increased partnering with these organizations.

Cause:

- No current requirement for the creation and review of a formal marketing plan.

Effect:

- OBD Management may not be held accountable for the effectiveness of its marketing efforts.

Recommendations:

1. OBD Management should annually create a formal marketing plan and submit this plan to the City Manager's Office and City Council.
2. OBD Management should annually summarize the results of its marketing plan for the City Manager's Office and City Council.
3. OBD Management should evaluate whether the City could benefit by increased partnering in the marketing campaigns of other local economic development agencies.

7. SERVICE FEEDBACK PROGRAM

Criteria:

- Feedback from those individuals or organizations with whom one works is a valuable measure of the success of an operation and can help identify needed areas for improvement.

Condition:

- OBD works with a variety of individuals and organizations in fulfilling its mission including business owners, developers, brokers, economic development organizations, city departments, and other government agencies.
- OBD does not currently have a formal service feedback or post-project evaluation program to obtain input on the effectiveness of its operations from the individuals and organizations with whom the Office serves and interacts.
- While the Office does not have a formal service feedback program, feedback information has periodically been gathered. For example, the Office recently provided surveys to participants in an organized tour of an area of the City. A summary report on the feedback from the surveys had not yet been prepared as of the time of our audit.

Cause:

- A formal service feedback program has not been implemented.

Effect:

- Lack of feedback from individuals and organizations with whom the Office interacts.
- Lack of performance information for evaluation of staff and Office.

Recommendations:

1. OBD Management should create and document a formal service feedback program in which feedback is obtained from the various individuals and organizations with whom the Office serves and interacts. As a part of this program, the Office should consider implementing a post-project review program where OBD management meet with outside organizations at the end of a project to evaluate the involvement of OBD and its staff in the project. Such a program should include evaluations of both successful and unsuccessful projects.
2. OBD Management should regularly summarize feedback obtained from the service feedback program in a report for review by management.

8. COORDINATION WITH OTHER AGENCIES

Criteria:

- The mission statement of OBD states that the Office will develop and maintain business partnerships and coordinate its activities with similar agencies throughout the community, state, and country.
- Benefits can be derived from strong relationships with other local economic development organizations.

Condition:

- OBD partners with other local organizations that are tasked with economic development (e.g., Nevada Development Authority, Nevada Commission on Economic Development, Las Vegas Chamber of Commerce, Nevada Small Business Development Center).
- OBD Management acknowledged to us that improvements are needed in how the Office partners with certain economic development organizations.
- In conjunction with our audit, we interviewed representatives of several local economic development organizations. These representatives confirmed that there is room for growth in their partnerships with the City and in sharing of information.

Cause:

- Improvements needed in partnering with certain local economic development organizations.

Effect:

- OBD may not be as effective as it might otherwise be with stronger partnerships with other local economic development organizations.

Recommendations:

1. OBD Management should obtain feedback from other local economic development organizations on how to further improve the effectiveness of their partnerships.
2. OBD Management should evaluate and document what additional measures can be taken to further improve the Office's relations with the local economic development organizations.

9. BUSINESS RETENTION AND EXPANSION PROGRAM

Criteria:

- One of the priorities of the City according to its Strategic Plan is to "aggressively attract and retain diverse businesses in addition to gaming."
- Details of new programs must be thoroughly analyzed and documented prior to implementation.

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Condition:

- OBD will soon implement a business retention and expansion program to “visit existing businesses and assess the strength of the Las Vegas economy, identify expanding companies and assist companies with their site needs.” In conjunction with this program, OBD plans on visiting businesses in target sectors including medical research, financial and business services, technology development, and the entertainment/hospitality industry.
- The businesses to be visited have not yet been identified or prioritized by OBD.
- Under current plans, much of the responsibility for this program will rest with one OBD staff. Considering the other work responsibilities of this staff, the allocation of resources may not be sufficient to successfully implement this program.
- The interview forms to be used with this program are generic templates and correspond to a data collection system into which the data will be input. The forms do not include questions specific to the City (e.g., questions regarding the adequacy of services being provided by the City or how the City could better help the businesses).
- The interview forms to be used with this program state that the information gathered will be kept confidential. The level of confidentiality that can be expressed to participating businesses has not been fully evaluated and documented.

Cause:

- Desire to quickly get program implemented.
- Limited staff availability.
- Details of program not complete.

Effect:

- Program implementation may be slow.
- Program may not be effective.
- Results of the program may not meet expectations of the City Manager’s Office and City Council members.

Recommendations:

1. OBD Management should create a prioritized list of businesses to survey in beginning its business retention and expansion program.
2. OBD Management should further evaluate whether the Business Retention and Expansion Program can be successfully administered as planned.
3. OBD Management should consult with other organizations that have used this same program and obtain suggestions for successful implementation of the program.
4. OBD Management should consult with the City Attorney’s Office to determine what level of assurance of confidentiality can be given by OBD staff to business owners. This assurance should be documented in the program plan.

10. ANCILLARY FUNCTIONS

Criteria:

- Activities within an organization typically align with the core services being provided.

Condition:

- The City is involved in an inter-local contract with Clark County to “jointly participate in activities regarding the proposed high-level radioactive waste disposal site at Yucca Mountain, Nevada.” An OBD staff participates in the activities related to this inter-local contract. According to the City’s labor distribution reports, this staff spent on average 17 hours per 80 hour pay period or 21% of his time in this function during fiscal year 2003.
- Another OBD staff is involved with the California-Nevada Super Speed Train Commission. According to the City’s labor distribution reports, this staff spent on average 23 hours per 80 hour pay period or 29% of her time in this area in fiscal year 2003.
- On review of these programs, it is questionable whether they align with the mission and core activities of the Office of Business Development. Time spent on projects in these areas reduces the resources available to OBD to further its core services. These employees and/or these functions may be better overseen by other city departments whose operations align more directly with these programs.

Cause:

- Long involvement in these programs by the respective staff.
- Uncertainty as to the future of both of these programs.

Effect:

- Reduced staff resources for core activities of the Office.

Recommendation:

1. The City Manager’s Office should evaluate whether the functions of and/or participating employees in the Nuclear Waste Repository Program and the Super Speed Train Commission would be more appropriately assigned to another department.

MANAGEMENT RESPONSES TO AUDIT OF OFFICE OF BUSINESS DEVELOPMENT

1. STANDARD OPERATING PROCEDURES

Recommendation 1

OBD Management should create guidelines for the documentation and formalization of official standard operating procedures.

Management Plan of Action:

The City of Las Vegas currently has guidelines for the documentation and formalization of official standard operating procedures. Guidelines include, but are not limited to, defining an approval process, creating an indexing system and ensuring access by all employees to the information. These established City guidelines shall be adhered to by OBD.

Timetable:

Completion by August 2004

Recommendation 2

OBD Management should formalize and document standard operating procedures on the core services of the Office. These procedures should be made accessible to employees and updated as needed.

Management Plan of Action:

OBD Management is creating a Standard Operating Procedure Manual for the core services of the office. This manual will be available both in hard copy and on the intranet.

Timetable:

Completion by September 2004

2. PROJECT ADMINISTRATION

Recommendation 1

OBD Management should formalize and document guidelines for project and contract administration.

Management Plan of Action:

OBD Management is creating, as part of the Standard Operating Procedure Manual referred to in Item #1, consistent procedures for project and contract administration.

Timetable:

Completion by September 2004

Recommendation 2

OBD Management should formalize and document requirements and expectations for staff in using the contact database. Management should regularly evaluate whether staff are adhering to the established requirements.

Management Plan of Action:

OBD Management shall update, as part of the Standard Operating Procedure Manual referred to in Item #1, existing procedures for consistent use of the contact database. The forum used for regular evaluation of adherence to the requirements for use of the database is the weekly staff meeting.

Timetable:

Completion by September 2004

Recommendation 3

OBD Management should fully implement project file requirements and organization standards.

Management Plan of Action:

A master file system for contract projects was initially established in July 2001. In July 2002 the system was further refined to include folder organization for standardized content. Full implementation of the system is defined as being applicable to all files dated July 2002 and forward.

Timetable:

Completion by September 2004

3. CONTACT DATABASE**Recommendation 1**

OBD Management should evaluate alternative systems that would more fully support the operations of the Office.

Management Plan of Action:

OBD Management concurs and has begun investigating alternative systems that are available. A recommendation will be forthcoming.

Timetable:

September 2004.

4. MANAGEMENT REPORTING

Recommendation 1

OBD Management should formally obtain feedback from the City Manager's Office and the City Council members on the effectiveness of their reports and any additional information that would be valuable to these users.

Management Plan of Action:

OBD Management has regular meetings with the City Manager's Office and the City Council. Additionally, five separate reports are forwarded to City Management and City Council for their review and comment. These reports are a weekly project status report, a monthly performance measurement report, a monthly Downtown Coordination Meeting report, a quarterly City Manager's report and a semi-annual statistical report. The OBD Director shall request written feedback on the reports from the CMO and request that the CMO obtain feedback from the Council on a monthly basis.

Timetable:

Completion by June 2004

Recommendation 2

Using the information gathered from the users and taking into consideration the issues identified, OBD Management should enhance their management reports to more fully and more effectively communicate the performance and activities of their Office.

Management Plan of Action:

Reference is made to the reports listed in the previous recommendation. These reports have recently been updated to achieve more effective communication. Additionally, OBD has recently created a new Monthly RDA project status report in the form of a Power Point Presentation at the Redevelopment Agency. Additionally, OBD will be providing a monthly update (as necessary) in a verbal and written format at the City Council for those projects outside the scope of the RDA.

Timetable:

Complete

Recommendation 3

OBD Management in conjunction with the City Manager's Office should re-evaluate the adequacy of the performance measures being used by the Office. Mutually agreeable performance measures should be identified and incorporated into the management reports.

Management Plan of Action:

OBD is currently working with Team Las Vegas to create, as a part of the City Priorities project, a document including goals, strategies and performance measures for adoption by the City

Council. This document will be incorporated into the OBD Business Plan for adherence by OBD staff.

Timetable:

Completion by September 2004

5. PROJECT TIME TRACKING

Recommendation 1

OBD Management should establish a project time tracking system at a minimum for significant marketing and development/redevelopment projects.

Management Plan of Action:

A new Microsoft product has been purchased that will assist in project time tracking and provide Gantt charts for project timelines. Additionally, OBD Management will meet with City Management to refine and expand our current project time tracking labor distribution codes through existing time card preparation procedures.

Timetable:

Completion by September 2004

6. MARKETING PLAN

Recommendation 1

OBD Management should annually create a formal marketing plan and submit this plan to the City Manager's Office and City Council.

Management Plan of Action:

OBD Management shall create a formal marketing plan during the annual budget process. The plan will be submitted to the City Council in the form of a Power Point presentation.

Timetable:

Completion by January 2005

Recommendation 2

OBD Management should annually summarize the results of its marketing plan for the City Manager's Office and City Council.

Management Plan of Action:

Summarization of the results of the marketing plan shall be concurrent with the annual marketing plan update and presentation to Council.

Timetable:

Completion by January 2005

Recommendation 3

OBD Management should evaluate whether the City could benefit by increased partnering in the marketing campaigns of other local economic development agencies.

Management Plan of Action:

OBD currently partners in several marketing programs with organizations such as the Nevada Development Authority, National Association of Industrial and Office Properties, Nevada Commission on Economic Development, Redevelopment Association of Nevada, Las Vegas Chamber of Commerce, Urban Chamber of Commerce and the Latin Chamber of Commerce.

Timetable:

Complete

7. SERVICE FEEDBACK PROGRAM**Recommendation 1**

OBD Management should create and document a formal service feedback program in which feedback is obtained from the various individuals and organizations with whom the Office serves and interacts. As a part of this program, the Office should consider implementing a post-project review program where OBD management meet with outside organizations at the end of a project to evaluate the involvement of OBD and its staff in the project. Such a program should include evaluations of both successful and unsuccessful projects.

Management Plan of Action:

Upon issuance of the Certificate of Occupancy (CofO) for successful projects, or upon withdrawal of a project for unsuccessful projects, a short survey will be forwarded to the principals of the project for their input. The survey will include, but not be limited to, topics such as staff competency, customer service, contract administration and negotiations.

Timetable:

Completion by August 2004

Recommendation 2

OBD Management should regularly summarize feedback obtained from the service feedback program in a report for review by management.

Management Plan of Action:

Information from the surveys will be summarized and analyzed and presented to City Management in semi-annual reports (State of the City, and Budget Request)

Timetable:

Completion by January 2005

8. COORDINATION WITH OTHER AGENCIES

Recommendation 1

OBD Management should obtain feedback from other local economic development organizations on how to further improve the effectiveness of their partnerships.

Management Plan of Action:

OBD currently meets on a monthly basis with several local organizations involved in economic development. Included in these organizations are the Nevada Development Authority, the National Association of Industrial and Office Properties, Nevada Commission on Economic Development, Nevada Alliance, Nevada Technology Council, Entertainment Development Corporation. Additionally, OBD partners with educational facilities such as Community College of Southern Nevada, University of Nevada Las Vegas and the University of Nevada School of Medicine to further economic development. An annual survey will be sent to these organizations for feedback on the involvement and effectiveness of OBD and their partnerships.

Timetable:

Completion by September 2004

Recommendation 2

OBD Management should evaluate and document what additional measures can be taken to further improve the Office's relations with the local economic development organizations.

Management Plan of Action:

The annual survey instruments referred to in Recommendation #1 will be evaluated during the budget process to determine if partnership relationships are purposeful and if adjustments are plausible.

Timetable:

Completion by January 2005

9. BUSINESS RETENTION AND EXPANSION PROGRAM

Recommendation 1

OBD Management should create a prioritized list of businesses to survey in beginning its business retention and expansion program.

Management Plan of Action:

OBD staff is in the process of creating an individualized business retention and expansion program for the City of Las Vegas that utilizes the nationally recognized Synchronist System.

Businesses will be divided into four core groupings and prioritized lists within these groupings are to be surveyed.

Timetable:

Completion by June 2004

Recommendation 2

OBD Management should further evaluate whether the Business Retention and Expansion Program can be successfully administered as planned.

Management Plan of Action:

The plan for the Business Retention and Expansion Program has significantly improved and includes the nationally recognized Synchronist System, and as such the administration of the program has also changed.

Timetable:

Completion by June 2004

Recommendation 3

OBD Management should consult with other organizations that have used this same program and obtain suggestions for successful implementation of the program.

Management Plan of Action:

OBD staff is currently in process of consulting these organizations. Locally the organizations include Nevada Development Authority and the City of North Las Vegas. As such, this is another example of economic development partnerships.

Timetable:

Completion by June 2004

Recommendation 4

OBD Management should consult with the City Attorney's Office to determine the level of assurance of confidentiality that can be given by OBD staff to business owners. This assurance shall be documented in the program plan.

Management Plan of Action:

OBD management has consulted with the City Attorney's Office for a confirmation of level of confidentiality on public projects. The findings are documented in a standard operating procedure.

Timetable:

Completion by June 2004

10. ANCILLARY FUNCTIONS

Recommendation 1

The City Manager's Office should evaluate whether the functions of and/or participating employees in the Nuclear Waste Repository Program and the Super Speed Train Commission would be more appropriately assigned to another department.

Management Plan of Action:

The Yucca Mountain Nuclear Waste Repository Program will be moved to Administrative Services, and the Super Speed Train Commission Program will be moved to Public Works.

Timetable:

Completion by June 2004